



ECONOMIC AND SOCIAL COUNCIL

Sixteenth Session

OFFICIAL RECORDS

Saturday, 18 July 1953
at 10.30 a.m.

PALAIS DES NATIONS, GENEVA

CONTENTS

	Page
Economic development of under-developed countries (continued):	
(a) Report on a Special United Nations Fund for Economic Development, submitted by a Committee appointed by the Secretary-General (Council resolution 416 A (XIV), General Assembly resolution 622 A (VII)) (E/2381);	
(b) Report of the International Bank for Reconstruction and Development on the question of creating an international finance corporation (Council resolution 416 C (XIV), General Assembly resolution 622 B (VII)) (E/2441);	
(c) Methods to increase world productivity (Council resolution 416 E (XIV)) (E/2435 and E/2440); Draft resolutions (E/L.522, E/L.534, E/L.536 and Corr.1, E/L.537, E/L.538, E/L.539, and E/L.540 and Rev.1)	179

President: Mr. Raymond SCHEYVEN (Belgium).

Present:

The representatives of the following countries: Argentina, Australia, Belgium, China, Cuba, Egypt, France, India, Philippines, Poland, Sweden, Turkey, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Uruguay, Venezuela, Yugoslavia.

Observers from the following countries: Brazil, Indonesia, Iran, Italy, Japan, Netherlands, Syria.

The representatives of the following specialized agencies: International Labour Organisation, Food and Agriculture Organization of the United Nations.

Economic development of under-developed countries (E/2381, E/2435, E/2440, E/2441, E/L.522, E/L.534, E/L.536 and Corr.1, E/L.537, E/L.538, E/L.539, and E/L.540 and Rev.1) (continued)

[Agenda item 3]

1. Mr. ARMENGAUD (France) said that the International Labour Office's (ILO) working paper (E/2440) and its *World Labour Report 1953*¹ brought out very clearly the difficulties, hopes and possibilities connected with productivity. The tasks involved included winning the workers' co-operation, doing away with mutual distrust between managements and staffs, improving or speeding up the training of staffs, steadily improving working conditions, integrating heavy industries with small craft undertakings, making it clear that a judicious expansion

of productivity would automatically result in improved living conditions—particularly in the under-developed countries—increasing wages or establishing productivity bonuses and, lastly, avoiding any tendency towards stereotyped methods.

2. The problems involved had also been analysed in other ILO or United Nations documents. Apart from methods of approach, which varied according to a number of factors, there appeared to be general agreement about the principal methods of promoting productivity and the duty of the United Nations to continue its work in that field. In that connexion, however, several points needed to be clarified.

3. In the first place, the term "productivity" had to be interpreted correctly: the *World Labour Report 1953* and document E/2440 brought out fairly clearly the idea of the close interdependence of all production factors. All the documents available emphasized the point that productivity should not be confused with workers' individual output, even at the level of the individual undertaking.

4. For example, the installation in a factory of a multiple lathe operated by a single worker to replace five or six ordinary lathes each operated by one man should, theoretically, give excellent results, by saving labour, decreasing the amount of capital invested and increasing output. But it might happen that, unlike ordinary lathes, the new lathe could not be employed to machine every kind of part. Consequently, considerably increased output at one point of the manufacturing process might not increase the undertaking's productivity, which depended on the whole complex of production factors.

5. Other things were therefore necessary as well, such as organization and co-ordination. In that connexion attention should be drawn to page 64 of the *World Labour Report 1953*.

6. Secondly, the attractiveness of productivity for employers and employees alike varied with the economic situation. At a time of inflation the head of a firm tended to buy machinery of high individual efficiency, even if it was expensive, rather than make investments likely to curb inflationary pressure; during a recession he would try to increase the productivity of his undertaking as a whole in order to bring down his prices and cut out competitors. But productivity at the national level would increase only if a large part of the manpower released in a given trade could be absorbed in other sectors which were short of manpower. During a slump absorption would be slow and the State would, usually reluctantly, be forced to take the necessary steps.

7. When employment was virtually at peak level, an increase of productivity in a particular branch of industry would affect national production favourably

¹ International Labour Conference, 36th Session, Geneva, 1953: Report I . . . Report of the Director-General of the International Labour Office (Geneva, ILO, 1953).

only if fresh needs were created which would ensure that the manpower released found employment elsewhere. When employment was below normal, increased productivity would not create new work, because the market would be saturated and unresponsive to new sales. He analysed briefly, in that connexion, the economic condition of the United States during the 1929-1933 slump: although the average productivity of capital and labour was favourable and there was no decline in the individual output of labour, total productivity in the United States between 1929 and 1933, and even up to 1935, had fallen considerably. It was not true, therefore, that increased productivity would always automatically have a uniformly favourable effect on the development of the economy.

8. Consequently, though wages should be kept in step with productivity, a share of the profits should, nevertheless, be earmarked for a continuous process of improvement in factors other than labour. After mentioning the main reasons for the high rate of production in the United States compared with other countries, and the fact that wage increases in French overseas dependencies had not led to increased output, he concluded that care should be taken, as the ILO recommended, not to make a practice of associating data which were not mutually comparable. Increased productivity was actually the result, primarily, of a progressive outlook directed towards raising the standard of living.

9. In the third place, the French delegation drew attention to the difficulties of measuring global productivity; it had been astonished to find comparisons drawn in certain documents between the relative increase over a short period in the productivity of one country and that of another. The example already quoted of the 1929 slump in the United States showed that the market structure and the economic situation played a decisive role and should not be underestimated when drawing comparisons. Protective measures against foreign competition, therefore, tended to lower the productivity of exporting countries, and it was astonishing to find the customs policy of the protagonists of high productivity conflicting with the general development of productivity. It should, moreover, be noted that not all undertakings increased their productivity at the same rate.

10. Fourthly, the *World Labour Report 1953* showed that the correlation between the two rates of increase, those of wages and of productivity, should not be pushed to the point where it would bring about excessive rigidity in the wages structure and make it impossible to free the financial resources that would expand employment in developed and under-developed countries. Thus, the wages curve should preferably rise less steeply than the productivity curve, so as to create a margin of safety that would ensure workers not being too hard hit in periods of recession.

11. Fifthly, the sliding scale had, in some countries, been one of the main factors conducing to inflation, while in others, as at that time in France, a *de facto* sliding scale had caused wages to rise without increasing the over-all productivity of the man-machine unit and had finally become a *de jure* sliding scale with none of its basic sterilizing effects diminished.

12. Sixthly, in order to increase productivity it was as important to avoid advances that were too hasty and too disorderly as results that were too uniform. Theoretically, classical liberalism ought to stimulate producers to judge how much a market could absorb. Experience showed, however, that those who preached such liberalism demanded protective measures such as import restrictions or subsidies and in that way frustrated currency convertibility and a genuinely liberal economic policy. On that point he would refer to page 81 of the ILO report already mentioned.

13. Seventhly, it was essential not to confuse exporting capacity and average national productivity, as the exporting capacity of certain countries was affected much more by the low level of their standard of living or wages than by their level of productivity. Problems so complex as full employment, international competition and higher productivity should not, therefore, be treated separately.

14. Eighthly, a further point was that relative variations in productivity must be closely watched. It was useless to bring about a considerable rise in productivity in a certain number of undertakings, if the products were not to be supplied more cheaply to the consumer. Such negative results had been experienced in France in the textile and coal industries, for example, despite an increase in productivity.

15. Again, ninthly, it was impossible to exaggerate the harmfulness, from the standpoint of raising average productivity, of taxation which was either too severe or did not encourage investment saving, a point which would be found referred to in the *World Labour Report 1953*. The competent experts also considered that appropriate priority should be given to the formation of private and public, or semi-public capital. Other relevant factors were the burden of financial charges and the cost of money.

16. The tenth and last point which he wished to make was that free competition was incompatible with high productivity, as long as such fundamental differences existed between the various countries with regard to their level of development or the relative weight of the burdens they bore. Furthermore, there must be a limit to competition, since the huge parallel investment effort which it evoked resulted in too low a yield from capital—particularly as soon as there was the slightest recession in trade—and a consequent decline in productivity and slowing down in the process of modernizing undertakings. Incidentally, Chapter 12 of the *Economic Survey of Europe since the War*² stressed the need for international co-ordination of investment in basic activity sectors.

17. In brief, in order to solve the problem under discussion, representatives of employers and employees alike must make a considerable effort to shelve their respective prejudices. The difficulties involved in developing the under-developed countries should give them a feeling of national and international solidarity.

18. In France, pursuant to Council resolution 416 E (XIV), joint meetings of employers and employees in various trades had been held, over a period of six weeks,

² United Nations publication—Sales No.: 1953.II.E.4.

in order to study together ways and means of raising productivity and the corresponding remuneration of staff. Although a whole range of problems of common interest had been reviewed, the work, after an enthusiastic first reception, had slowed down of late, the trade unions having finally shown themselves somewhat hostile to what they claimed to be the capitalist orientation of the work. The ILO was thus perfectly right in saying that solutions which worked in one country were not necessarily applicable in others, that the role of trade unions in each individual country had to be taken into account and that the slightest ill-advised or misinterpreted move might destroy the results of months of joint effort.

19. *L'Association française pour l'accroissement de la productivité* (the French Association for Increasing Productivity) could, however, boast some initial successes. The *Cahiers de la productivité*, which it published, contained some very useful information on achievements at home and abroad in the sphere of productivity, together with studies on a wide range of relevant subjects.

20. Both employers and workers had the vague feeling that, beyond the question of distributing the benefits of increased productivity, there lay the whole problem of the organization and the trend of world economy. That being so, it was essential to consider how, without vain promises being made, economic integration, the development of employment, a reasonable degree of competition, and the organization of vast markets could be achieved. The French delegation accordingly doubted whether the Council should continue to deal separately with problems so intimately connected as those of employment, productivity, restrictive business practices, international trade, integrated economies, non-self-liquidating investment, means of economizing in raw materials, and differences in the taxation and social legislation systems of the various countries.

21. The documentation before the Council would appear sufficient to enable it to move on from the stage of desiderata or recommendations to the sketching in broad outline of solutions for large areas or economic spheres in which comparable conditions of work obtained, so that economic integration might be brought gradually but steadily nearer. He hoped that members would reflect upon the question and consider it at a forthcoming session.

22. Mr. LOPEZ (Philippines) complimented the Food and Agriculture Organization (FAO) and the ILO on the useful and carefully prepared studies which they had made available to the Council. His delegation was in general agreement with their conclusions regarding the need for land reform, adequate social incentives for labour in the form of higher wages, better living conditions and security against unemployment, and for securing the maximum yield from the resources of all countries by means of improved techniques, prudent husbandry and the use of mechanized equipment, wherever possible.

23. In the case of most, if not all, of the under-developed countries which were not self-governing or had been former colonies and were therefore suffering from feudal or semi-feudal economic conditions, the problem of

productivity was inseparably linked to two other problems, that of basic development and that of correcting the distorted direction taken by their economic development.

24. The efforts of such under-developed countries to increase productivity were aimed both at industrialization and at increasing agricultural output by measures such as the use of fertilizers, crop rotation, a suitable degree of mechanization and improvements in the system of land tenure. Capital and capital equipment were equally necessary in both cases.

25. The Philippines had to deal both with densely populated agricultural areas where the fertility of the soil had been impaired by prolonged and excessive cultivation and with fertile new lands not yet under intensive cultivation. The measures needed in the former areas were the regrouping of farms in larger and more viable economic units, mechanization and crop diversification and, in the latter, the clearing of forests, the construction of roads and communications, power development, pest control, health services and marketing facilities.

26. The experience of the Philippines in both areas had pointed to the need for capital and capital equipment. In the thickly populated areas of Luzon, for example, experiments had been made in subdividing large estates among tenant farmers and in raising the tenants' share of the crops to as much as 70 per cent. Owing, however, to the small size of individual farms and to the relatively low agricultural yield, the increase in the tenants' share of the crops was insufficient to raise their standard of living, if they remained tenants. Redistribution of the land, on the other hand, would result in uneconomically small individual holdings. Resettlement had been attempted as a solution both to the problem of the thickly settled areas and to that of the virgin lands in the southern islands, and the success of new settlements had proved to be dependent on the provision of essential facilities, which in turn was dependent upon the availability of capital and capital equipment.

27. The difficulties of the Philippines were intensified by the chronic insecurity of its economy, dependent as it was on the fluctuations of the world demand for a limited number of primary products. Like other under-developed countries, its earnings and savings were insufficient to finance the reorientation and development required to ensure economic stability and a reasonable measure of prosperity. At least in the initial stages, some international assistance in the form of capital, technical knowledge and equipment was essential.

28. It was no reflection on the specialized agencies such as FAO and the International Labour Organisation to say that their efforts must be regarded as of secondary importance for the acceleration of the economic development of the under-developed countries, the key to whose problem lay in adequate financing. It was for that reason that the Philippines attached so much importance to the proposals for a special United Nations fund for economic development and for an international finance corporation to supplement existing domestic and international sources of development capital.

29. The Council had been rightly urged to take a bolder step in the matter of financing. That injunction had

been in keeping with the sense of frustration with which the representatives of the under-developed countries had listened to the present debate. During the three years in which his delegation had taken part in the work of the Council, it had become conscious of the need for persistent prodding; though its intentions were of the best, the Council was inclined to be easy-going and timid. The Philippines was particularly anxious that the Council should not take a purely negative attitude towards the question of the special fund, the international finance corporation and the Expanded Technical Assistance Programme. If positive action was not possible, the Council could at least continue to look forward to a better future and encourage the peoples of the world to do likewise.

30. In that spirit, his delegation had submitted an amendment (E/L.539) to the United States draft resolution on the special fund (E/L.536) which it hoped might succeed in uniting the various views expressed during the debate. In regard to the international finance corporation, it shared the hope expressed at the previous meeting by the United Kingdom representative that the Indian delegation might find it possible to modify its draft resolution (E/L.534) in the interests of unanimity.

31. Mr. UZCATEGUI RAMIREZ (Venezuela) said that the FAO working paper (E/2435) outlined the principal measures required to bring about an increase in agricultural productivity. Such a paper could not deal fully with all the problems involved and his delegation considered that the problem of land tenure, in particular, called for more detailed examination.

32. The document referred to the large tracts of uncultivated land in many countries, more especially Latin America. Such lands were of two types, virgin land and land in private ownership which for one reason or another was not being fully or rationally cultivated. In his delegation's view efforts should mainly be directed to land of the latter kind, since it could more easily be brought into production. In that connexion the problem arose of redistributing the population in order to attain both increased agricultural productivity and an adequate living standard.

33. In some areas the leasing of land was regarded as a solution. That was, however, by no means ideal, since the tenant was apt to farm the land too intensively.

34. While land reform might not be necessary in all under-developed countries, it was essential in those countries which had a rural population dispersed over a vast territory and engaged partly in the cultivation of comparatively unsuitable land with the result that agricultural productivity tended to be extremely low. The dispersal of the rural population made the task of governments particularly difficult, for example, in providing housing, social and health services, etc., essential to economic development. The use of agricultural machinery—generally expensive—was facilitated whenever farmers had the opportunity of adopting certain forms of co-operative action.

35. Thus, he said, it was, as always, a question of the means required, which in that case were considerable. Venezuela was making great efforts in such a task, for its experts were convinced that mere land distribu-

tion was not enough. Experience had shown that the cost of settling a family on the land could be reduced, but not below a certain point without endangering the success of the land reform programme.

36. The Venezuelan delegation, therefore, had studied with interest the General Assembly's recommendation (in resolution 625 A (VII)) that the experts responsible for the report on the establishment of SUNFED should regard the possibility of financing land reform programmes as one of the chief aims of the fund. In conclusion, he expressed the hope that that United Nations undertaking would be achieved as soon as possible.

37. Mr. BAKER (United States of America) regretted that some members had apparently attempted to create misunderstandings about the motives of the United States. He welcomed the pledges by the Soviet Union and Poland of 4 million roubles and 300,000 zloty respectively to the Expanded Technical Assistance Programme, in which over seventy nations participated and which was one of the most constructive efforts of the United Nations. The United States hoped that those pledges presaged the constructive participation of the Soviet Union and Poland in all the economic and social agencies working within the framework of the United Nations.

38. There also seemed to have developed some genuine misunderstanding. It was not true, as some delegations seemed to feel, that the United States intended to give absolute priority to the needs of defence over the needs and aspirations of the under-developed countries, or that the joint declaration proposed in its draft resolution (E/L.536) indicated reluctance to strengthen such undertakings as the Technical Assistance Programme. There was no question of postponing economic development until a genuine peace had been achieved.

39. The United States Government, both in the United Nations and before its own people, had long been committed to aiding under-developed countries; it had every intention of continuing that aid, both by bilateral action and by supporting United Nations projects. It could not support recommendations to the General Assembly such as those proposed by the Yugoslav and Indian representatives in their respective draft resolutions (E/L.522, E/L.534), since to resolve on the establishment of an international fund before countries were prepared to contribute the requisite amounts would merely create the illusion of decisive action when no action had in fact been taken. The result would be disillusionment in the under-developed countries and harm to the prestige of the United Nations.

40. President Eisenhower had pledged himself to request, as soon as circumstances permitted, a substantial volume of resources to an international fund essentially devoted to the economic development of under-developed parts of the world. The United States could support any disarmament programme that would give the world real security; it hoped that other Powers, instead of disdaining its genuine offers of disarmament, would soon join in an earnest effort to free the world from fear and the burden of armaments.

41. The PRESIDENT said that although the list of speakers on the item had been declared closed, he would grant the Soviet Union representative the right of reply, in accordance with rule 52.

42. Mr. ARUTYUNYAN (Union of Soviet Socialist Republics) said that the United States representative had implied that the criticism, voiced by the Soviet Union and other delegations, of the motives underlying United States economic aid had been unfair and unfounded. It was indeed difficult to take exception to the altruistic motives advanced by the United States representative in the Council; such intentions were, however, sharply at variance with statements made in the United States on the function of economic aid in the framework of national policy, and it was to such statements that Soviet Union criticism was principally directed.

43. The utterances of congressmen showed that economic assistance to foreign countries was regarded as an instrument of pressure on the internal affairs of recipient countries, and as a means of coercing them into conformity with United States policies; it was therefore not genuine economic aid in accordance with the United Nations principles. There was a fundamental divergence between the philosophy which the United States espoused in the Council and the arguments put forward for home consumption.

44. There was also a striking disparity between words and actions, and there were numerous cases where countries such as Egypt and Burma had declined to accept assistance from the United States because of the conditions accompanying it. The increasing reluctance to permit United States interference in domestic matters was also expressed in the movement for "trade, not aid".

45. The history of colonial penetration in Africa and Asia showed that the provision of economic aid had always been accompanied by political pressure of all kinds, and even by complete subjugation. The process had originally been defended as the civilization of backward races; nowadays it was termed economic assistance in the defence of the free peoples. All that had changed had been the ostensible justification of the practice; the granting of economic aid was still being employed as a means of pressure on the countries receiving it, and of making them amenable to the policies of the countries providing the capital.

46. The Soviet Union had always held that technical assistance should be made available through the intermediary of the United Nations. By contrast, the United States "Point Four" plan was entirely contrary to United Nations principles, and constituted a weapon of penetration and coercion. The Soviet Union had contributed to the shaping of United Nations policy on technical assistance, and was now willing to make a material contribution to that undertaking.

47. Mr. KURAL (Turkey) drew attention to the faulty reporting of the Turkish representative's statement in the "Provisional Summary Record" of the 728th meeting, and requested the members of the Council not to base any remarks on that statement in its uncorrected form.

48. The PRESIDENT, after observing that the draft resolutions on item 3 of the agenda (E/L.522, E/L.534, E/L.536 and Corr.1, E/L.537, E/L.538, E/L.539 and E/L.540 and Rev.1) were to be referred for further consideration to the Economic Committee, declared closed the general debate on the item.

The meeting rose at 12.20 p.m.